SWOT Analysis

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The aim of any SWOT analysis is:

- to identify the key internal/external factors that are important to reach the objective.

	Good aspects for business	Bad aspects for business
Internal characteristics	Strength	Weaknesses
External characteristics	Opportunities	Threats

Strength and Weaknesses are INTERNAL aspects:

- Can be influenced by the company/organisation

Opportunities and Threats are EXTERNAL aspects:

- - Cannot be influenced by the company/organisation

SWOT analysis

- a strategic planning method used to evaluate the **Strengths, Weaknesses, Opportunities,** and **Threats** involved in a project or in a business venture.

- … specifying the **objective** of the business/project … identifying the **internal** and **external** factors … **favorable** and **unfavorable** to achieve that objective.

- … SWOTs are essential because **subsequent steps** … may be derived from the SWOTs.

EXAMPLE

STRENGTH
- Your marketing expertise
- A new product or service.
- Location of your business.
- Quality processes and procedures.

WEAKNESS:
- Lack of expertise.
- Location of your business.
- Poor quality goods or services.
- Damaged reputation.

OPPORTYNITY
- A developing market
- Joint ventures/alliances
- A new international market
- A market vacated by an ineffective competitor.

THREAT
- A new competitor in your home market.
- A competitor has a new,product or service.
- Taxation is introduced on your product or service.

SWOT Analysis Nike, Inc.

Strengths.
Nike is a very competitive organization. Phil Knight (Founder and CEO) is often quoted as saying that 'Business is war without bullets.' Nike has a healthy dislike of is competitors. At the Atlanta Olympics, Reebok went to the expense of sponsoring the games. Nike did not. However Nike sponsored the top athletes and gained valuable coverage.
Nike has no factories. It does not tie up cash in buildings and manufacturing workers. This makes a very lean organization. Nike is strong at research and development, as is evidenced by its evolving and innovative product range. They then manufacture wherever they can produce high quality product at the lowest possible price. If prices rise, and products can be made more cheaply elsewhere (to the same or better specification), Nike will move production.
Nike is a global brand. It is the number one sports brand in the World. Its famous 'Swoosh' is instantly recognisable, and Phil Knight even has it tattooed on his ankle.
Weaknesses.
The organization does have a diversified range of sports products. However, the income of the business is still heavily dependent upon its share of the footwear market. This may leave it vulnerable if for any reason its market share erodes.
The retail sector is very price sensitive. Nike does have its own retailer in Nike Town. However, most of its income is derived from selling into retailers. Retailers tend to offer a very similar experience to the consumer. Can you tell one sports retailer from another? So margins tend to get squeezed as retailers try to pass some of the low price competition pressure onto Nike.
Opportunities.
Product development offers Nike many opportunities. The brand is fiercely defended by its owners whom truly believe that Nike is not a fashion brand. However, like it or not, consumers that wear Nike product do not always buy it to participate in sport. Some would argue that in youth culture especially, Nike is a fashion brand. This creates its own opportunities, since product could become unfashionable before it wears out i.e. consumers need to replace shoes.
There is also the opportunity to develop products such as sport wear, sunglasses and jewellery. Such high value items do tend to have associated with them, high profits.
The business could also be developed internationally, building upon its strong global brand recognition. There are many markets that have the disposable income to spend on high value sports goods. For example, emerging markets such as China and India have a new richer generation of consumers. There are also global marketing events that can be utilised to support the brand such as the World Cup (soccer) and The Olympics.
Threats.
Nike is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that Nike may be manufacturing and/or selling at a loss. This is an issue that faces all global brands.
The market for sports shoes and garments is very competitive. The model developed by Phil Knight in his Stamford Business School days (high value branded product manufactured at a low cost) is now commonly used and to an extent is no longer a basis for sustainable competitive advantage. Competitors are developing alternative brands to take away Nike's market share.
As discussed above in weaknesses, the retail sector is becoming price competitive. This ultimately means that consumers are shopping around for a better deal. So if one store charges a price for a pair of sports shoes, the consumer could go to the store along the street to compare prices for the exactly the same item, and buy the cheaper of the two. Such consumer price sensitivity is a potential external threat to Nike.

SWOT Analysis Apple

Strengths.

Apple is a very successful company. Sales of its iPod music player had increased its second quarter profits to $320 (June 2005). The favourable brand perception had also increased sales of Macintosh computers. So iPod gives the company access to a whole new series of segments that buy into other parts of the Apple brand. Sales of its notebooks products is also very strong, and represents a huge contribution to income for Apple. Brand is all-important. Apple is one of the most established and healthy IT brands in the World, and has a very loyal set of enthusiastic customers that advocate the brand. Such a powerful loyalty means that Ample not only recruits new customers, it retains them i.e. they come back for more products and services from Apple, and the company also has the opportunity to extend new products to them, for example the iPod.

Weaknesses.

It is reported that the Apple iPod Nano may have a faulty screen. The company has commented that a batch of its product has screens that break under impact, and the company is replacing all faulty items. This is in addition to problems with early iPods that had faulty batteries, whereby the company offered customers free battery cases.

There is pressure on Apple to increase the price of its music download file, from the music industry itself. Many of these companies make more money from iTunes (i.e. downloadable music files) than from their original CD sales. Apple has sold about 22 million iPod digital music players and more than 500 million songs though its iTunes music store. It accounts for 82% of all legally downloaded music in the US. The company is resolute, but if it gives in to the music producers, it may be perceived as a commercial weakness.

Early in 2005 Apple announced that it was to end its long-standing relationship with IBM as a chip supplier, and that it was about to switch to Intel. Some industry specialists commented that the swap could confuse Apple's consumers.

Opportunities.

Apple has the opportunity to develop its iTunes and music player technology into a mobile phone format. The Rokr mobile phone device was developed by Motorola. It has a colour screen, stereo speakers and a advance camera system. A version of Apple's iTunes music store has been developed for the phone so users can manage the tracks they store on it. Downloads are available via a USB cable, ands software on the handset pauses music if a phone call comes in. New technologies and strategic alliances offer opportunities for Apple.

Podcasts are downloadable radio shows that can be downloaded from the Internet, and then played back on iPods and other MP3 devices at the convenience of the listener. The listener can subscribe to Podcasts for free, and ultimately revenue could be generated from paid for subscription or through revenue generated from sales of other downloads.

Threats.

The biggest threat to IT companies such as Apple is the very high level of competition in the technology markets. Being successful attracts competition, and Apple works very hard on research and development and marketing in order to retain its competitive position. The popularity of iPod and Apple Mac are subject to demand, and will be affected if economies begin to falter and demand falls for their products.

There is also a high product substitution effect in the innovative and fast moving IT consumables market. So iPod and MP3 rule today, but only yesterday it was CD, DAT, and Vinyl. Tomorrow's technology might be completely different. Wireless technologies could replace the need for a physical music player.

In 2005 Apple won a legal case that forced Bloggers to name the sources of information that pre-empted the launch of new Apple products. It was suspect that Apple's own employees had leaked confidential information about their new Asteroid product. The three individuals prosecuted, all owned Apple tribute sites, and were big fans of the company's products. The blogs had appeared on their sites, and they were forced to reveal their source. The ruling saw commercial confidentiality as more important as the right to speech of individuals. Apple are vulnerable to leaks that could cost them profits.